



**Democratic State of the Union Response Center**

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## **THE ECONOMY: RHETORIC AND REALITY**

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**RHETORIC:** The Bush tax cut didn't cause the deficit; it was caused by out of control government spending and uncontrollable events such as corporate scandals and September 11<sup>th</sup>.

**REALITY:** That's just not accurate. About a third of the \$9 trillion decline in our fiscal outlook can be attributed to tax cuts, with this share rising over time.

The bottom line is that the Bush economic plan isn't working. Since he entered office, we've lost almost 3 million private sector jobs and increased the debt by \$3 trillion. [BLS, 12/03; CBO 8/03] Right now, the economy would have to create over 375,000 jobs per month to keep the Bush Administration from having the worst job creation record of any administration since the Great Depression. Democrats can do better.

**RHETORIC:** President Bush inherited an economy that was going already south.

**REALITY:** That's just not true. The recession officially began in March of 2001 – two months after Bush was sworn in – according to the National Bureau of Economic Research. In fact, Bush acknowledged this at the time in his weekly radio address. Even though President Bush is now revising history, even giving the recession an official starting date of three weeks before he took office, the National Bureau of Economic Research continues to stand its assessment that the recession began in March 2001. [The Washington Post, 7/1/03] And the fact remains that the Bush economic program clearly hasn't helped, even though it has cost trillions of dollars in added debt.

**RHETORIC:** Democrats are crying wolf. This deficit is minimal in historical terms.

**REALITY:** That's not true. In 2004, the on-budget deficit as a percentage of GDP will reach the highest level since World War II. [OMB Historical Tables, 2004] In fact, the nation's unified deficit as a percentage of GDP is now approaching the record 6 percent level reached in 1983. [OMB, 10/20/03] The Reagan Administration viewed this as such a fiscal crisis that President Reagan subsequently approved a series of tax increases to slow the growth of the deficit.

**RHETORIC: Rolling back the tax cuts would increase taxes nationwide by 36 percent. That's what Democrats want to do.**

**REALITY:** That's ridiculous. Republicans are making up a policy and attributing it to Democrats. Democrats support responsible tax cuts for working Americans, and we always have.

What the Bush Administration isn't telling you is that they are only presenting the increase in income taxes with these artificial increases. The presentation makes it seem that lower and middle-income families are receiving larger percentage reductions in their taxes than higher incomes families, when in fact the opposite is true. In fact, 75 percent of Americans pay more in payroll taxes than in income taxes. [Tax Policy Center, 1/6/03] Tax experts recently called the Treasury analysis "an egregious use of misinformation." [CBPP 7/21/03]

**RHETORIC: The Bush tax cuts are working and the experts saying that our economy is coming back.**

**REALITY:** For more than two years since the end of the recession, the economy has been weak. While there are some positive economic indicators, the fact is that we are still experiencing a huge job deficit, with nearly 3 million jobs lost since President Bush took office. The White House said that the first Bush tax break was supposed to create 800,000 additional jobs by the end of 2002. [White House Press Release, 6/7/02] Instead, we lost 1.9 million jobs. [BLS 12/02] This latest round of tax breaks was supposed to create 510,000 additional jobs by the end of 2003. [Council of Economic Advisers, 2/4/03] But we've already lost over 180,000 jobs this year, and job creation ground to a halt last month. [BLS 12/03] The tax cuts aren't providing the sustained jobs creation we need.

**RHETORIC: Democrats don't have a plan.**

**REALITY:** Democrats support tax cuts for working families, incentives for small businesses, and a manufacturing tax cut to create jobs here, rather than shipping them from going overseas. We also support a new highway bill, which creates about 1 million good paying jobs.

**RHETORIC: Republicans have additional economic initiatives such as energy and tort reform to stimulate the economy, which Democrats in Congress are blocking.**

**REALITY:** Republicans control the House, the Senate, and the White House. If they wanted to make progress on these issues, they could. But the bottom line is that tort reform won't create a single job. The economic proposals Republicans are advocating are designed to benefit lobbyists on K Street, rather than families struggling to make ends meet on Main Street. These proposals are unlikely to create jobs or strengthen our economy.